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January 13, 2010

TO: Supervisor Gloria Molina, Chair
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe
Auditor-Controller

SUBJECT: **THE SABAN FREE CLINIC CONTRACT REVIEW – A DEPARTMENT
OF PUBLIC HEALTH HIV/AIDS PREVENTION SERVICES PROVIDER**

We completed a fiscal review of The Saban Free Clinic (Agency), a Department of Public Health (DPH) HIV/AIDS prevention services provider.

Background

The DPH's Office of AIDS Programs and Policy (OAPP) contracts with The Saban Free Clinic to provide HIV/AIDS rapid testing services. The Saban Free Clinic is located in the Third District.

At the time of our review, The Saban Free Clinic had one cost reimbursement contract with OAPP. The County paid the Agency \$109,341 in OAPP funds from January 2008 to December 2008.

Purpose/Methodology

The purpose of our review was to determine if The Saban Free Clinic appropriately spent funds in accordance with their County contract. We also evaluated the adequacy of The Saban Free Clinic's accounting records, internal controls, and compliance with the contract and applicable federal and State fiscal guidelines governing the Ryan White Comprehensive AIDS Resource Emergency Act.

Results of Review

Overall, the Agency appropriately recorded and deposited cash receipts timely in the Agency's bank account. However, The Saban Free Clinic billed OAPP \$1,015 in questioned costs of which \$915 were for unallowable office supplies and \$100 reported on their Cost Report was not supported by the Agency's accounting records. In addition, the Agency charged OAPP payroll costs based on budgeted positions not actual time spent by employees performing OAPP related activities as required by the County contract.

Review of Report

We discussed our report with The Saban Free Clinic and OAPP on September 14, 2009. In their attached response, the Agency agreed with the findings and recommendations including repaying the County the \$1,015 in questioned costs.

We thank The Saban Free Clinic for their cooperation and assistance during our review. Please call me if you have any questions, or your staff may contact Don Chadwick at (213) 253-0301.

WLW:MMO:JET:DC:EB

Attachment

c: William T Fujioka, Chief Executive Officer
Jonathan E. Fielding, Director, Department of Public Health
Dr. Stanley Toy, Jr., President, The Saban Free Clinic
Public Information Office
Audit Committee

**HIV/AIDS PREVENTION SERVICES
THE SABAN FREE CLINIC
FISCAL YEAR 2008-09**

CASH/REVENUE

Objective

Determine whether cash receipts and revenue are properly recorded in The Saban Free Clinic's (Agency) financial records and deposited timely into the Agency's bank account. Determine whether there are adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed the Agency's personnel and reviewed their financial records. We also reviewed the Agency's November 2008 bank reconciliations for two bank accounts.

Results

The Saban Free Clinic appropriately recorded and deposited cash receipts timely into the Agency's bank account. The Agency also appropriately completed monthly reconciliations.

Recommendation

None.

COST ALLOCATION PLAN

Objective

Determine whether The Saban Free Clinic's Cost Allocation Plan was prepared in compliance with the County contract and the Agency used the Plan to appropriately allocate shared program expenditures.

Verification

We reviewed The Saban Free Clinic's plan and reviewed their allocation of telephone expenditures to the Office of Aids Programs and Policy (OAPP) for May 2008.

Results

The Saban Free Clinic's written Cost Allocation Plan complied with the County contract requirements. However, the Agency's payroll expenditures were based on budgeted

positions not actual costs. This finding is addressed in the payroll and personnel section of this report.

Recommendation

Refer to Recommendations #2 and #3.

EXPENDITURES**Objective**

Determine whether program expenditures were allowable under the County contract; properly documented and accurately billed to OAPP.

Verification

We interviewed Agency personnel and reviewed expenditures billed to OAPP during January 2008 to November 2008, totaling \$2,130.

Results

The expenditures reviewed were appropriate and allowable.

Recommendation

None.

FIXED ASSETS AND EQUIPMENT**Objective**

Determine whether the Agency's fixed assets and equipment purchases made with OAPP funds are used for the OAPP program and are safeguarded.

We did not perform testwork in this area as the Agency did not purchase fixed assets with OAPP funds.

Recommendation

None.

PAYROLL AND PERSONNEL

Objective

Determine whether payroll expenditures are appropriately charged to the program. In addition, determine whether personnel files are maintained as required.

Verification

We reviewed payroll expenditures charged to OAPP for four employees for November 2008 totaling \$7,670 and employee benefits totaling \$22,374 for January to December 2008. We also reviewed the personnel files for four employees assigned to OAPP activities.

Results

Generally, The Saban Free Clinic maintained the required personnel records. However, The Saban Free Clinic's payroll and employee benefits billings were not in compliance with the County contract requirements. Specifically, The Saban Free Clinic:

- Overbilled OAPP \$6,154 in employees' benefits. The Saban Free Clinic's employee benefits rate of 28.58% included 7.34% that represented employees' time off. However, The Saban Free Clinic also charged OAPP for employees' paid time off (i.e., vacation and sick time off). As a result, OAPP was charged twice for these benefits. Subsequent to our review, the Agency corrected the overbilling and adjusted their total payroll expenditures on their Cost Report for the period ended December 31, 2008.
- Billed OAPP based on budgeted positions not actual time spent by each employee performing OAPP related activities as required by the County contract.
- Did not require their staff to report the actual hours worked on the OAPP program on their timecards. Therefore, we were unable to verify the appropriateness of the payroll expenditures billed to OAPP.

Recommendations

The Saban Free Clinic management ensure:

1. Employees' benefit time is charged only once to OAPP.
2. Payroll billings are based on actual hours spent by employees performing OAPP related activities.
3. All employees record actual hours worked each day on their time reports to support the time spent on program activities.

COST REPORTS

Objective

Determine whether the Agency's Cost Report reconciles to the Agency's financial accounting records.

Verification

We traced the Agency's Cost Report for the period ending December 2008 to the Agency's general ledger. In addition, we reviewed a sample of expenditures incurred between January and December 2008.

Results

The expenditures reported in The Saban Free Clinic's Cost Report exceeded their accounting records by \$1,015 for program supplies and staff education costs. The Agency charged \$915 for administrative office supplies that was not included in their approved contract budget and \$100 that was not supported by their general ledger.

Recommendations

The Saban Free Clinic management:

- 4. Repay DPH \$1,015 or provide documentation to support the unsupported expenditures.**
- 5. Ensure only allowable expenditures are charged to the OAPP program.**



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Is The Los Angeles Free Clinic

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Abbe Land

2 December 2009

Maria McGloin
Auditor Controller
Countywide Contract Monitoring Division
County of Los Angeles
500 West Temple Street #525
Los Angeles, CA 90012-2706

RE: The Saban Free Clinic – Fiscal Review
Department of Public Health HIV/AIDS for year 2008

Dear Ms. McGloin:

We have received your year 2008 fiscal review of The Saban Free Clinic Department of Public Health HIV/AIDS program. We would like to first commend your auditing staff for their efficient and cooperative manner in which they conducted the audit. The following will outline our response and corrective action plan to their findings.

Payroll and Personnel Recommendations

1. Employees' paid time off is charged once.

Response/Corrective Action Plan: We have already made correction when we filed the FY 08-09 cost report and invoices FY 09-10. The employees' paid time off is charged once on both cost report and invoices.

2. Payroll billings are based on actual hours spent by employees performing OAPP related activities.

3. All employees record actual hours worked each day on their time reports to support the time spent on the program activities.

Response/Corrective Action Plan: Three employees were funded by OAPP: Two full-time employees, Maggie Contreras and Steven Reigns were 100 percent funded by OAPP. Their time sheets reflect 100 percent expended on program activities. One employee, Wendy Ziegler- Marsh, was funded 20 percent time. In addition to regular time sheets, we have paper time sheets for Ms. Ziegler Marsh starting 2/22/08, which reflects time spent on OAPP program activities. Please note that time spent by part-time personnel have been routine and stable over the years. We have requested that the part-time employee submit regular additional time sheets to improve tracking of those hours.

2 December 2009
Maria McGloin, Auditor Controller
County of Los Angeles Contract Monitoring Division
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Cost Report Recommendations

1. Repay L.A. County Dept. of Public Health \$1,015 or provide documentation to support the unsupported expenditures.

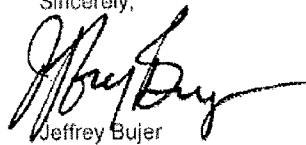
Response/Corrective Action Plan: The Saban Free Clinic will repay \$1,015 to L.A. County Dept. of Public Health

2. Ensure only allowable expenditures are charged to the OAPP program.

Response/Corrective Action Plan: We have made corrections on this recommendation. We verified our bookkeeping to ensure only allowable expenditures are being charged to the OAPP program.

If you have any questions, please feel free to contact us any time.

Sincerely,



Jeffrey Bujer
Co-Chief Executive Officer

JB/tt